



PERRIS UNION
HIGH SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

PERRIS UNION HIGH SCHOOL DISTRICT

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FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Governing Board
Perris Union High School District
Perris, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Perris Union High School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Perris Union High School District, as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13, the budgetary comparison schedule, the schedule of other postemployment benefits funding progress, schedule of the District's proportionate share of net pension liability, and the schedule of District contributions on pages 67 through 70, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Perris Union High School District's basic financial statements. The accompanying supplementary information such as the combining and individual non-major fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The accompanying unaudited other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, on our consideration of the Perris Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Perris Union High School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 15, 2016



PERRIS UNION HIGH SCHOOL DISTRICT

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This section of Perris Union High School District's (the District) (2015-2016) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016, with comparative information from 2015. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the District and its component units using the integrated approach as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District, as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statements in regards to interfund activity, payables, and receivables.

The *Fund Financial Statements* include statements for each of the two categories of activities: governmental and fiduciary.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The Primary unit of the government is the Perris Union High School District.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

With the new Local Control Funding Formula or LCFF, the District is given flexibility to make funding decisions that provide the most impact and be most beneficial for our students. Here at Perris Union High School District (PUHSD), we embraced the opportunity for local control and are providing a vast array of innovative programs and opportunities for our students. With this local control comes accountability, the District's Local Control Accountability Plan, or LCAP goals are:

- Goal #1: All students will attain proficiency in all academic areas.
- Goal #2: All students will graduate from high school prepared for postsecondary and career options.
- Goal #3: All departments and sites will provide a safe and positive learning environment for all students and staff.
- Goal #4: Secure and strengthen home-school-community connections and communications.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

It is with these goals in mind that our District developed new and innovative programs and opportunities for our students that guide spending.

During 2015-2016, the District has continued to focus on student engagement and course offerings that along with attendance goals resulted in an increase to student attendance. The continued focus on Science, Technology, Engineering, Arts and Math (STEAM) has also resulted in higher student in-seat time and in turn improving student test scores, graduation rates, and an increase in LCFF funding. In addition to its ongoing efforts in the maintenance and repair of existing facilities, the District continued its aggressive facilities acquisition, construction, and modernization programs. In the 2015-2016 school year, we began construction on Phase 2A of Perris High School with plans to open 16 new classrooms for students along with opening up a new Boys and Girls Locker Room and a Satellite Kitchen in early 2016-2017. In addition to the new construction, Perris Union High School District has committed to supporting the Maker Movement by converting existing classrooms into Makerspaces and Engineering labs. In the 2015-2016 school year Perris High School, Paloma Valley High School, and Pinacate Middle School were involved in the renovations with the remaining school scheduled to have a Makerspace renovation in the 2016-2017 school year. At Heritage High School a new football field was awaiting the team for the 2015 football season.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include *all* assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in them. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

The relationship between revenues and expenses is the District's operating results. Since the governing board's responsibility is to provide services to our students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools will likely be an important component in this evaluation.

In the *Statement of Net Position* and the *Statement of Activities*, we present the District activities as follows:

Governmental Activities - The District reports all of its services in this category. This includes the education of seventh through twelfth grade students, adult education students, the operation of a community day school program, two charter schools, and the on-going effort to expand, improve, and maintain buildings and sites. Property taxes, State income taxes, user fees, interest income, Federal, State, and local grants, as well as general obligation bonds, finance these activities.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental Funds - Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

THE DISTRICT AS A TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, for funds held on behalf of others, such as funds for Special Tax Bonds and associated student body activities. The District's fiduciary activities are reported in the *Fiduciary Funds - Statements of Net Position*. We exclude these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$147,191,219 for the fiscal year ended June 30, 2016. Of this amount, (\$82,892,973) was unrestricted deficit. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Governing board's ability to use net position for day-to-day operations. Our analysis below, in summary form, focuses on the net position (Table 1) and change in net position (Table 2) of the District's governmental activities.

Table 1

	Governmental Activities	
	2016	2015
Assets		
Current and other assets	\$ 110,329,567	\$ 67,906,414
Capital assets	285,096,545	268,324,139
Total Assets	<u>395,426,112</u>	<u>336,230,553</u>
Deferred Outflows of Resources	<u>18,474,160</u>	<u>5,613,111</u>
Liabilities		
Current liabilities	22,949,232	11,143,936
Long-term obligations (includes current portion)	149,196,446	112,814,484
Net pension liability	78,937,482	64,386,681
Total Liabilities	<u>251,083,160</u>	<u>188,345,101</u>
Deferred Inflows of Resources	<u>15,625,893</u>	<u>17,198,056</u>
Net Position		
Net investment in capital assets	195,453,938	176,874,054
Restricted	34,630,254	41,456,601
Unrestricted (Deficit)	(82,892,973)	(82,030,148)
Total Net Position	<u>\$ 147,191,219</u>	<u>\$ 136,300,507</u>

The (\$82,892,973) in unrestricted deficit of governmental activities represents the *accumulated* results of all past years' operations.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

Changes in Net Position

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 15. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

	Governmental Activities	
	2016	2015
Revenues		
Program revenues:		
Charges for services	\$ 2,165,324	\$ 1,805,437
Operating grants and contributions	15,050,496	15,381,150
Capital grants and contributions	69,539	6,576,194
General revenues:		
Federal and State aid, not restricted	80,163,019	65,133,832
Property taxes	33,599,627	29,286,721
Other general revenues	17,496,157	13,837,566
Total Revenues	<u>148,544,162</u>	<u>132,020,900</u>
Expenses		
Instruction	74,370,180	63,789,496
Instruction-related	14,583,772	11,563,495
Pupil services	16,308,383	12,283,716
Administration	8,457,151	7,501,206
Maintenance and operations	12,283,129	10,869,985
Other outgo	11,650,835	10,551,700
Total Expenses	<u>137,653,450</u>	<u>116,559,598</u>
Change in Net Position	<u>\$ 10,890,712</u>	<u>\$ 15,461,302</u>

Governmental Activities

As reported in the *Statement of Activities* on page 15, the cost of all of our governmental activities this year was \$137,653,450. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$33,599,627. The remaining cost was paid by those who benefited from the programs; \$2,165,324, or by other governments and organizations who subsidized certain programs with \$69,539 in grants and contributions. We paid for the remaining "public benefit" portion of our governmental activities with State funds, and with other revenues, like interest and general entitlements.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

In Table 3, we have presented the cost of each of the District's largest functions: instruction and instruction-related, pupil services, administration, maintenance and operations, and other outgo. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

	Total Cost of Services		Net Cost of Services	
	2016	2015	2016	2015
Instruction and instruction-related	\$ 88,953,952	\$ 75,352,991	\$ 79,783,275	\$ 59,512,233
Pupil services	16,308,383	12,283,716	11,265,514	7,419,259
Administration	8,457,151	7,501,206	7,516,389	6,559,593
Maintenance and operations	12,283,129	10,869,985	12,181,374	10,866,532
Other outgo	11,650,835	10,551,700	9,621,539	8,439,200
Total	\$ 137,653,450	\$ 116,559,598	\$ 120,368,091	\$ 92,796,817

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$88,926,312 which is an increase of \$30,580,495, from last year (Table 4).

Table 4

	Balances and Activity			
	July 01, 2015	Revenues	Expenditures	June 30, 2016
General Fund	\$ 8,801,111	\$ 113,176,545	\$ 109,963,745	\$ 12,013,911
Building Fund	7,212,371	41,395,267	17,822,439	30,785,199
County School Facilities Fund	13,576,683	69,540	3,764,747	9,881,476
Bond Interest and Redemption Fund	9,137,309	10,086,588	8,311,620	10,912,277
Non-Major Governmental Funds	19,618,343	27,785,368	22,070,262	25,333,449
Total	\$ 58,345,817	\$ 192,513,308	\$ 161,932,813	\$ 88,926,312

The primary reasons for the increases and decreases to the District's' fund balances are:

1. As the District's principal operating fund, the General Fund is comprised of unrestricted as well as restricted dollars. The fund balance in the General Fund increased by \$3,427,826. The net increase is primarily due to both restricted and unrestricted resources balance carried over to be spent in the 2016-2017 school year. Multi-year plans have been developed by the districts such as the Local Control Accountability Plan (LCAP) and the Educator Effectiveness Grant Plan to assist in the spending down of one-time monies or carryover from the prior year.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

2. The Charter School Fund balance increased by \$333,765. The net increase is primarily due to One-Time Mandated Cost monies along with Lottery monies being carried over to be spent in the 2016-2017 school year.
3. The Capital Facilities Fund, County School Facilities Fund, and the Bond Building Fund decreased by \$18,086,362 collectively due to multi-year facilities projects.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to manage unexpected changes in revenues and expenditures. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our audit report on page 67.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had \$285,096,545 in a broad range of capital assets (net of depreciation), including land, buildings, and furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$16,772,406 or 6.25 percent, from last year (Table 5).

Table 5

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Land and construction in progress	\$ 44,314,689	\$ 36,769,473
Buildings and improvements, net of depreciation	239,006,737	229,041,243
Furniture and equipment, net of depreciation	1,775,119	2,513,423
Total	\$ 285,096,545	\$ 268,324,139

This year's increase of \$16,772,406 is primarily a result of facilities improvement projects, including new construction and modernization projects. We present more detailed information about our capital assets in Note 5 to the financial statements.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

Long-Term Obligations

At the end of this year, the District had \$149,196,446 in long-term obligations outstanding versus \$112,814,484 last year, an increase of 32.25 percent. These long-term obligations consisted of:

Table 6

	Governmental Activities	
	2016	2015
General obligation bonds	\$ 133,054,836	\$ 94,698,346
Certificates of participation	6,755,000	7,075,000
Qualified school construction bonds	1,576,366	1,694,511
QZAB lease purchase agreement	5,000,000	5,000,000
Capital lease obligations	1,176,543	1,733,521
Other	1,633,701	2,613,106
Total	\$ 149,196,446	\$ 112,814,484

General Obligation Bonds, Capital Lease, and Certificates of Participation obligations decreased by the required annual principal payment. Other obligations include accumulated vacation payable and Public Agency Retirement Services retirement payable. We present more detailed information regarding our long-term obligations in Note 9 of the financial statements.

Net Pension Liability (NPL)

At year-end, the District has a pension liability of \$78,937,482 as a result of implementing GASB Statement No. 68.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2015-2016

Accomplishments supporting student learning throughout the 2015-2016 school year included the successful continued District support of a one-to-one device initiative for all students under the Scholar+ teaching and learning plan. Perris Union High School District has Future Ready schools that ensure there is equitable access to quality digital content. There is no shortage of opportunity in our District for students and staff to access world-class digital content. Scholar+ allows students to have access to devices in and out of school, including taking devices home for the summer. Future Ready schools empower educators with purposeful and rewarding professional development opportunities. Providing rich and rewarding professional development allows us to grow and helps us make more informed decisions as to how we shape our instructional design. Perris Union High School District has been recognized as a leader in the Maker Movement by being committed to taking steps to empower students to learn through making, expand access to maker spaces, and offer support for educators to integrate making into their classrooms. Our District also participates in a regional computer science consortium aimed to increase participation in computer science courses by women and underrepresented students of various ethnic backgrounds. Students in our District have increased access to computer science courses, curriculum, and resources. This partnership also provides new opportunities for professional development and training for District staff, in addition to creating a sustainable program via a community of support for teachers.

PERRIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

With the addition of a seven-period day in the 2015-2016 school year, the District has continued to focus on High School Graduation and College preparedness by increasing the amount of rigorous college preparatory courses offered and increased the opportunities for students to be future ready. This additional period greatly increase our students chances of completing their A-G requirements for colleges and universities. It has also given our students greater opportunities to take foreign language, art, music, and career technical education classes. These efforts have resulted in an increase of more than five percent to both the District's A-G Completion Rate and the District's Graduation Rate.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2016-2017 year, the governing board and management used the following criteria at adoption:

1. District enrollment of 9,864 and the Charter School's enrollment of 1,050 were projected to be 10,914 in total. This represented an increase of 1.13 percent District-wide. Overall District Average Daily Attendance (ADA) including charters was projected to be 10,214. This represents an increase of 215 ADA.
2. Lottery funding for 2016-2017 was projected to be \$189 per prior-year annual ADA. This per pupil rate reflects \$144 per pupil for unrestricted lottery revenues and \$45 per pupil for lottery funding restricted to the purchase of instructional materials.
3. LCFF was calculated at \$10,258 per ADA. This included a statutory Cost of Living Adjustment (COLA) of 0.0 percent and is a 6.82 percent increase to the 2015-2016 LCFF entitlement.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Candace Reines, Assistant Superintendent, Business Services, at Perris Union High School District, 155 E. 4th Street, Perris, California 92570, or e-mail at candace.reines@puhsd.org.

PERRIS UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2016

	Governmental Activities
ASSETS	
Deposits and investments	\$ 94,588,709
Receivables	4,458,541
Due from other funds	11,031,916
Prepaid expenditures	189,539
Stores inventories	60,862
Capital assets	
Land and construction in process	44,314,689
Other capital assets	328,763,012
Accumulated depreciation	<u>(87,981,156)</u>
Total Capital Assets	<u>285,096,545</u>
Total Assets	<u>395,426,112</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	<u>18,474,160</u>
 LIABILITIES	
Accounts payable	10,086,563
Interest payable	1,545,977
Due to other funds	11,031,916
Unearned revenue	284,776
Long-term Obligations	
Current portion long-term obligations other than pensions	6,520,641
Noncurrent portion of long-term obligations other than pensions	<u>142,675,805</u>
Total Long-Term Obligations	149,196,446
Aggregate net pension liability	<u>78,937,482</u>
Total Liabilities	<u>251,083,160</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>15,625,893</u>
 NET POSITION	
Net investment in capital assets	195,453,938
Restricted for:	
Debt service	11,537,887
Capital projects	16,301,980
Educational programs and other activities	6,790,387
Unrestricted (Deficit)	<u>(82,892,973)</u>
Total Net Position	<u>\$ 147,191,219</u>

The accompanying notes are an integral part of these financial statements.

PERRIS UNION HIGH SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expenses) Revenues and Changes in Net Position
		Charges for Services and Sales	Operating Grants and Contributions		
Governmental Activities:					
Instruction	\$ 74,370,180	\$ 15,703	\$ 8,067,954	\$ 69,539	\$ (66,216,984)
Instruction-related activities:					
Supervision of instruction	3,181,621	2,033	805,493	-	(2,374,095)
Instructional library, media and technology	1,515,348	-	-	-	(1,515,348)
School site administration	9,886,803	166	209,789	-	(9,676,848)
Pupil services:					
Home-to-school transportation	4,150,965	-	-	-	(4,150,965)
Food services	4,456,111	401,051	3,820,778	-	(234,282)
All other pupil services	7,701,307	-	821,040	-	(6,880,267)
Administration:					
Data processing	1,643,628	-	-	-	(1,643,628)
All other administration	6,813,523	112,517	828,245	-	(5,872,761)
Plant services	12,283,129	5,845	95,910	-	(12,181,374)
Ancillary services	2,368,609	-	143	-	(2,368,466)
Community services	3,798	-	3,798	-	-
Interest on long-term obligations	5,115,936	1,628,009	397,346	-	(3,090,581)
Other outgo	4,162,492	-	-	-	(4,162,492)
Total Governmental Activities	\$ 137,653,450	\$ 2,165,324	\$ 15,050,496	\$ 69,539	(120,368,091)
General revenues and subventions:					
					24,361,602
					8,661,975
					576,050
					80,163,019
					97,966
					2,237,205
					15,160,986
					<u>131,258,803</u>
					Change in Net Position
					<u>10,890,712</u>
					Net Position - Beginning
					<u>136,300,507</u>
					Net Position - Ending
					<u>\$ 147,191,219</u>

The accompanying notes are an integral part of these financial statements.

PERRIS UNION HIGH SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2016**

	General Fund	Building Fund	County School Facilities Fund
ASSETS			
Deposits and investments	\$ 14,770,247	\$ 32,327,950	\$ 13,608,435
Receivables	3,527,925	58,530	22,469
Due from other funds	1,081,862	1,237,295	-
Prepaid expenditures	186,194	-	-
Stores inventories	-	-	-
Total Assets	\$ 19,566,228	\$ 33,623,775	\$ 13,630,904
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 6,829,641	\$ 2,592,095	\$ -
Due to other funds	437,900	246,481	3,749,428
Unearned revenue	284,776	-	-
Total Liabilities	7,552,317	2,838,576	3,749,428
FUND BALANCES			
Nonspendable	211,194	-	-
Restricted	3,988,635	30,785,199	9,881,476
Assigned	287,073	-	-
Unassigned	7,527,009	-	-
Total Fund Balances	12,013,911	30,785,199	9,881,476
Total Liabilities and Fund Balances	\$ 19,566,228	\$ 33,623,775	\$ 13,630,904

The accompanying notes are an integral part of these financial statements.

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ 10,912,277	\$ 22,969,800	\$ 94,588,709
-	849,617	4,458,541
-	3,196,801	5,515,958
-	3,345	189,539
-	60,862	60,862
<u>\$ 10,912,277</u>	<u>\$ 27,080,425</u>	<u>\$ 104,813,609</u>
\$ -	\$ 664,827	\$ 10,086,563
-	1,082,149	5,515,958
-	-	284,776
<u>-</u>	<u>1,746,976</u>	<u>15,887,297</u>
-	64,207	275,401
10,912,277	22,748,925	78,316,512
-	2,520,317	2,807,390
-	-	7,527,009
<u>10,912,277</u>	<u>25,333,449</u>	<u>88,926,312</u>
<u>\$ 10,912,277</u>	<u>\$ 27,080,425</u>	<u>\$ 104,813,609</u>

PERRIS UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Total Fund Balance - Governmental Funds	\$ 88,926,312
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The cost of capital assets is:	\$ 373,077,701
Accumulated depreciation is:	<u>(87,981,156)</u>
Net Capital Assets	285,096,545
Expenditures relating to contributions made to pension plans were recognized on the modified accrual basis, but are not recognized on the accrual basis.	7,190,287
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term obligations is recognized when incurred.	(1,545,977)
The net change in proportionate share of net pension liability as of the measurement date is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected remaining service life of members receiving pension benefits.	2,221,779
The difference between projected and actual pension plan investment earnings are not recognized on the modified accrual basis, but are recognized on the accrual basis as an adjustment to pension expense.	(5,492,292)
The differences between expected and actual experience in the measurement of the total pension liability are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.	153,279
The changes of assumptions is not recognized as an expenditure under the modified accrual basis, but is recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.	(1,224,786)

The accompanying notes are an integral part of these financial statements.

PERRIS UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2016**

Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds. \$ (78,937,482)

Long-term obligations, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term obligations at year-end consist of:

General obligation bonds	\$ 113,521,857
Certificates of participation	6,755,000
Qualified school construction bonds	1,576,366
QZAB lease purchase agreement	5,000,000
Capital leases	1,176,543
Compensated absences (vacations)	472,640
Supplemental employee retirement plan (SERP)	456,061
Choice 2000 settlement agreement	705,000
Unamortized premium	5,340,729

In addition, the District previously issued "capital appreciation" general obligation bonds. The cumulative capital accretion on the general obligation bonds is:

Total Long-Term Obligations	<u>14,192,250</u>	<u>(149,196,446)</u>
Total Net Position - Governmental Activities		<u><u>\$ 147,191,219</u></u>

The accompanying notes are an integral part of these financial statements.

PERRIS UNION HIGH SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Building Fund	County School Facilities Fund
REVENUES			
Local Control Funding Formula	\$ 87,993,269	\$ -	\$ -
Federal sources	7,471,831	-	-
Other State sources	13,616,785	-	-
Other local sources	4,094,660	152,344	69,540
Total Revenues	<u>113,176,545</u>	<u>152,344</u>	<u>69,540</u>
EXPENDITURES			
Current			
Instruction	62,328,799	-	-
Instruction-related activities:			
Supervision of instruction	2,969,819	-	-
Instructional library, media, and technology	1,416,005	-	-
School site administration	6,621,298	-	-
Pupil services:			
Home-to-school transportation	3,404,125	-	-
Food services	-	-	-
All other pupil services	7,354,683	-	-
Administration:			
Data processing	1,533,929	-	-
All other administration	5,509,116	-	-
Plant services	11,492,885	-	-
Facility acquisition and construction	3,944,413	17,822,439	15,319
Ancillary services	2,053,733	-	-
Community services	3,798	-	-
Other outgo	647,120	-	-
Debt service			
Principal	621,118	-	-
Interest and other	-	-	-
Total Expenditures	<u>109,900,841</u>	<u>17,822,439</u>	<u>15,319</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,275,704</u>	<u>(17,670,095)</u>	<u>54,221</u>
Other Financing Sources (Uses)			
Transfers in	-	1,237,295	-
Proceeds from issuance of bonds	-	40,005,628	-
Transfers out	(62,904)	-	(3,749,428)
Net Financing Sources (Uses)	<u>(62,904)</u>	<u>41,242,923</u>	<u>(3,749,428)</u>
NET CHANGE IN FUND BALANCES	3,212,800	23,572,828	(3,695,207)
Fund Balances - Beginning	8,801,111	7,212,371	13,576,683
Fund Balances - Ending	<u>\$ 12,013,911</u>	<u>\$ 30,785,199</u>	<u>\$ 9,881,476</u>

The accompanying notes are an integral part of these financial statements.

Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 9,102,398	\$ 97,095,667
-	3,922,986	11,394,817
102,404	1,323,949	15,043,138
8,589,209	10,178,383	23,084,136
<u>8,691,613</u>	<u>24,527,716</u>	<u>146,617,758</u>
-	5,597,774	67,926,573
-	47,531	3,017,350
-	52,187	1,468,192
-	2,003,927	8,625,225
-	46,320	3,450,445
-	4,453,820	4,453,820
-	285,857	7,640,540
-	70,638	1,604,567
-	1,228,435	6,737,551
-	724,182	12,217,067
-	2,418,708	24,200,879
-	192,213	2,245,946
-	-	3,798
-	3,515,372	4,162,492
4,760,860	438,145	5,820,123
3,550,760	383,882	3,934,642
<u>8,311,620</u>	<u>21,458,991</u>	<u>157,509,210</u>
<u>379,993</u>	<u>3,068,725</u>	<u>(10,891,452)</u>
-	3,186,308	4,423,603
1,394,975	71,344	41,471,947
-	(611,271)	(4,423,603)
<u>1,394,975</u>	<u>2,646,381</u>	<u>41,471,947</u>
1,774,968	5,715,106	30,580,495
9,137,309	19,618,343	58,345,817
<u>\$ 10,912,277</u>	<u>\$ 25,333,449</u>	<u>\$ 88,926,312</u>

PERRIS UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Total Net Change in Fund Balances - Governmental Funds **\$ 30,580,495**

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

This is the amount by which capital outlays exceeds depreciation in the period.

Capital outlays	\$ 24,383,571	
Depreciation expense	<u>(7,611,165)</u>	
Net Expense Adjustment		16,772,406

In the Statement of Activities, certain operating expenses, such as compensated absences (vacations) and supplemental retirement are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation earned was more than the amounts used by \$65,679, supplemental retirement earned was less than the amount paid by \$927,584 and settlement agreement paid in the current year was \$117,500.

979,405

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.

(117,589)

Proceeds received from issuance of debt is a revenue in the governmental funds, but it increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:

General obligation bonds	(40,413,024)
Premium for general obligation bonds	(1,549,810)

The accompanying notes are an integral part of these financial statements.

PERRIS UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2016

Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term obligations in the Statement of Net Position and does not affect the Statement of Activities:

General obligation bonds	\$ 4,825,000
Premium for general obligation bonds	321,292
Certificates of participation	320,000
Qualified school construction bonds	118,145
Capital lease obligations	556,978

Interest on long-term obligations in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the Statement of Activities is the result of two factors. First, accrued interest on the general obligation bonds decreased by \$37,362 and second, \$1,539,948 of additional accumulated interest was accreted on the District's "capital appreciation" general obligation bonds.

	(1,502,586)
Change in Net Position of Governmental Activities	<u><u>\$ 10,890,712</u></u>

The accompanying notes are an integral part of these financial statements.

PERRIS UNION HIGH SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016**

	Fiduciary Funds		
	Debt Service Fund for Special Tax Bonds	Associated Student Bodies	Total Fiduciary Funds
ASSETS			
Cash and cash equivalents	<u>\$ 9,820,217</u>	<u>\$ 686,519</u>	<u>\$ 10,506,736</u>
LIABILITIES			
Due to student groups	\$ -	\$ 686,519	\$ 686,519
Due to bond holders	<u>9,820,217</u>	<u>-</u>	<u>9,820,217</u>
Total Liabilities	<u>\$ 9,820,217</u>	<u>\$ 686,519</u>	<u>\$ 10,506,736</u>

The accompanying notes are an integral part of these financial statements.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Perris Union High School District (the District) was incorporated on August 23, 1897, under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades 7 - 12 as mandated by the State and/or Federal agencies. The District operates one middle school, three high schools, a continuation school, a community day school, one charter school, and an adult education school.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Perris Union High School District, this includes general operations, food service, and student related activities of the District.

Component Units

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District, in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. For financial reporting purposes, the component unit discussed below is reported in the District's financial statements because of the significance of its relationship with the District. The component unit, although a legally separate entity, is reported in the financial statements using the blended presentation method as if it were part of the District's operations because the Governing Board of the component unit is essentially the same as the governing board of the District and because its purpose is to finance the construction of facilities to be used for the direct benefit of the District.

The Perris Valley Schools Capital Facilities Corporation's (the Corporation) financial activity is presented in the financial statements in the Capital Project Fund for Blended Component Units and the Corporation Debt Service Fund. Certificates of participation issued by the Corporation are included as long-term obligations in the government-wide financial statements. Individually-prepared financial statements are not prepared for Perris Valley Schools Capital Facilities Corporation.

The Perris Union High School District Financing Authority (the Authority), formed for the purpose of issuing debt related to the Community Facilities District 91-1 and the Community Facilities District 92-1 (the CFDs), financial activity is presented in the financial statements in the Capital Project Fund for Blended Component Units and in the Fiduciary Funds Statement as the Debt Service Fund for Special Tax Bonds. Special Tax Bonds issued by the CFD's not are included as long-term obligations in the government-wide financial statements as they are not obligations of the District. Individually-prepared financial statements are not prepared for Perris Union High School District Financing Authority.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Other Related Entities

Charter School The District has an approved charter for California Military Institute pursuant to *Education Code* Section 47605. The charter school is operated by the District, and its financial activity is presented in the Charter School Fund.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a district (*Education Code* Sections 15125-15262).

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Charter Schools Fund The Charter Schools Fund may be used by authorizing districts to account separately for the activities of district-operated charter schools that would otherwise be reported in the authorizing district's General Fund.

Adult Education Fund The Adult Education Fund is used to account separately for Federal, State, and local revenues for adult education programs and is to be expended for adult education purposes only.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Capital Project Funds The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Capital Project Fund for Blended Component Units The Capital Project Fund for Blended Component Units is used to account for capital projects financed by the Perris Valley Schools Capital Facilities Corporation, the 91-1 Community Facilities District, and the 92-1 Community Facilities District that are considered blended component units of the District under generally accepted accounting principles.

Debt Service Funds The Debt Service funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligation.

QZAB Fund The QZAB Fund is used to account for the accumulation of resources for the lease payment related to the QZAB lease purchase agreement between the District and the Public Property Financing Corporation of California.

Debt Service Fund This fund is used for the accumulation of resources for and the retirement of principal and interest on general long-term obligation.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Debt Service Fund for Blended Component Units The Debt Service Fund for Blended Component Units is used to account for the accumulation of resources for the payment of principal and interest on bonds issued by the Perris Valley Schools Capital Facilities Corporation, the 91-1 Community Facilities District, and the 92-1 Community Facilities District and similar entities that are considered blended component units of the District under generally accepted accounting principles (GAAP).

Proprietary Funds Proprietary funds are used to account for activities that are more business-like than government-like in nature. Business-type activities include those for which a fee is charged to external users or to other organizational units of the Local Education Agency, normally on a full cost-recovery basis. Proprietary funds are generally intended to be self-supporting and are classified as enterprise or internal service. The District has no proprietary funds.

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Trust funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Such funds have no equity accounts since all assets are due to individuals or entities at some future time. The District's agency funds account for the accumulation of resources for the payment of the principal and interest on the Special Tax Bonds issued by the Community Facilities Districts as well as the student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, of the District, and for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.

Net position should be reported as restricted when constraints placed on net position are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their net position use.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues - Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 60 days. However to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose restrictions. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned Revenue Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on long-term obligations, which have not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Investments

Investments held at June 30, 2016, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Prepaid Expenditures

Prepaid expenditures represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental type funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized in the government-wide Statement of Net Position. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets is the same as those used for the capital assets of governmental funds.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 25 to 50 years; improvements, 7 to 30 years; equipment, 5 to 20 years.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental activities column of the Statement of Net Position.

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide Statement of Net Position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year-end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, certificates of participation, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums, and Discounts

In the government-wide financial statements long-term obligations are reported as liabilities in the applicable governmental activities. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs are amortized over the life of the bonds using the straight-line method.

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the current period. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for pension related items.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for pension related items.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Fund Balances - Governmental Funds

As of June 30, 2016, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes.

Unassigned - all other spendable amounts.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted one-time expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of General Fund expenditures and other financing uses.

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. The government-wide financial statements report \$22,867,490 of restricted net position.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the Governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Riverside bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District has implemented the provisions of this Statement as of June 30, 2016. In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The District has implemented the provisions of this Statement as of June 30, 2016.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as amended, Statement No. 43, and Statement No. 50, *Pension Disclosures*.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB*. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2017. Early implementation is encouraged.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Early implementation is encouraged.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions.

Prior to the issuance of this Statement, the requirements of Statement No. 68 applied to the financial statements of all state and local governmental employers whose employees are provided with pensions through pension plans that are administered through trusts that meet the criteria in paragraph 4 of that Statement.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

This Statement amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above.

The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Early implementation is encouraged.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement.

This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 94,588,709
Fiduciary funds	10,506,736
Total Deposits and Investments	<u>\$ 105,095,445</u>

Deposits and investments as of June 30, 2016, consist of the following:

Cash on hand and in banks	\$ 6,469,716
Cash in revolving	25,000
Investments	98,600,729
Total Deposits and Investments	<u>\$ 105,095,445</u>

Policies and Practices

The District is authorized under California *Government Code* to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Investment in County Treasury - The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The District manages its exposure to interest rate risk by investing in the County Pool.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Weighted Average Maturity

The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. Information about the weighted average maturity of the District's portfolio is presented in the following schedule:

Investment Type	Fair Value	Maturity Date
Commercial Paper - F Car Owner Trust	\$ 4,766,138	N/A
First American Government Obligation Fund Class D	783,522	N/A
Money Market	9,820,364	N/A
Riverside County Investment Pool	83,507,212	420*
Total	\$ 98,877,236	

* Weighted-average days to maturity.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Minimum Legal Rating	Rating June 30, 2016	Fair Value
Commercial Paper - F Car Owner Trust	Not Required	Not Rated	\$ 4,766,138
First American Government Obligation Fund Class D	Not Required	Not Rated	783,522
Money Market	Not Required	Not Rated	9,820,364
Riverside County Investment Pool	Not Required	Aaa-bf	83,507,212
Total Investments			\$ 98,877,236

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agency. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2016, the District's bank balance of \$1,519,087 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

NOTE 3 - FAIR VALUE MEASUREMENTS

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Riverside County Treasury Investment Pool are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

The District's fair value measurements are as follows at June 30, 2016:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Uncategorized</u>
Riverside County Investment Pool	<u>\$ 83,507,212</u>	<u>\$ 83,507,212</u>

All assets have been valued using a market approach, with quoted market prices.

NOTE 4 - RECEIVABLES

Receivables at June 30, 2016, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	<u>General Fund</u>	<u>Building Fund</u>	<u>County School Facilities Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Activities</u>
Federal Government					
Categorical aid	\$ 1,130,226	\$ -	\$ -	\$ 525,442	\$ 1,655,668
State Government					
Categorical aid	207,778	-	-	42,953	250,731
Lottery	1,019,271	-	-	104,756	1,124,027
Local Government					
Interest	26,121	58,530	22,469	13,445	120,565
Other Local Sources	1,144,529	-	-	163,021	1,307,550
Total	<u>\$ 3,527,925</u>	<u>\$ 58,530</u>	<u>\$ 22,469</u>	<u>\$ 849,617</u>	<u>\$ 4,458,541</u>

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 11,545,012	\$ -	\$ -	\$ 11,545,012
Construction in Progress	25,224,461	20,535,013	12,989,797	32,769,677
Total Capital Assets Not Being Depreciated	<u>36,769,473</u>	<u>20,535,013</u>	<u>12,989,797</u>	<u>44,314,689</u>
Capital Assets Being Depreciated:				
Land Improvements	19,138,135	646,742	-	19,784,877
Buildings	282,175,636	15,915,285	-	298,090,921
Equipment	10,610,886	276,328	-	10,887,214
Total Capital Assets Being Depreciated	<u>311,924,657</u>	<u>16,838,355</u>	<u>-</u>	<u>328,763,012</u>
Total Capital Assets	<u>348,694,130</u>	<u>37,373,368</u>	<u>12,989,797</u>	<u>373,077,701</u>
Less Accumulated Depreciation:				
Land Improvements	11,776,302	549,751	-	12,326,053
Buildings	60,496,226	6,046,782	-	66,543,008
Equipment	8,097,463	1,014,632	-	9,112,095
Total Accumulated Depreciation	<u>80,369,991</u>	<u>7,611,165</u>	<u>-</u>	<u>87,981,156</u>
Governmental Activities Capital Assets, Net	<u>\$ 268,324,139</u>	<u>\$ 29,762,203</u>	<u>\$ 12,989,797</u>	<u>\$ 285,096,545</u>

Depreciation expense was charged as a direct expense to governmental functions as follows:

Governmental Activities	
Instruction	\$ 6,620,192
School site administration	855,799
Data processing	66,826
All other administration	6,820
Plant services	61,528
Total Depreciation Expenses All Activities	<u>\$ 7,611,165</u>

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 - INTERFUND TRANSACTIONS

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2016, between major and non-major governmental funds are as follows:

Due To	Due From				Total
	General Fund	Building Fund	County School Facility Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ -	\$ -	\$ 1,081,862	\$ 1,081,862
Building Fund	-	-	1,237,295	-	1,237,295
Non-Major Governmental Funds	437,900	246,481	2,512,133	287	3,196,801
Total	<u>\$ 437,900</u>	<u>\$ 246,481</u>	<u>\$ 3,749,428</u>	<u>\$ 1,082,149</u>	<u>\$ 5,515,958</u>

A balance of \$374,838 is due to the Charter School Non-Major Governmental Fund from the General Fund for in-lieu property taxes.

A balance of \$63,349 is due to the Adult Education Non-Major Governmental Fund from the General Fund to cover negative balance.

A balance of \$963,136 is due to the General Fund from the Charter School Non Major Governmental Fund for indirect costs, oversight fees, Special Education allocation and reimbursement of miscellaneous expenditures.

A balance of \$118,718 is due to the General Fund from the Adult Education Non-Major Governmental Fund for indirect costs and reimbursement of expenditures.

A balance of \$246,481 is due to the Capital Facilities Non-Major Governmental Fund from the Building Fund for reimbursement of expenditures.

A balance of \$1,237,295 is due to the Building Fund from the County School Non-Major Governmental Building Fund for reimbursement of expenditures.

A balance of \$2,512,133 is due to the Capital Facilities Non-Major Governmental Fund from the County School Governmental Building Fund for reimbursement of expenditures.

All remaining balance resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Operating Transfers

Interfund transfers for the year ended June 30, 2016, consisted of the following:

Transfer To	Transfer From			Total Governmental Funds
	General Fund	County School Facilities Fund	Non-Major Governmental Funds	
Building Fund	\$ -	\$ 1,237,295	\$ -	\$ 1,237,295
Non-Major Governmental Funds	62,904	2,512,133	611,271	3,186,308
Total	<u>\$ 62,904</u>	<u>\$ 3,749,428</u>	<u>\$ 611,271</u>	<u>\$ 4,423,603</u>

The General Fund transferred to Adult Education Fund for MVHS Summer Band Camp for prior year carryover contribution.	\$ 62,904
The County School Facilities Fund transferred to the Building Fund to reimburse construction payments.	1,237,295
The County School Facilities Fund transferred to the Non-Major Capital Facilities to refund for OPSC fund apportionments.	2,512,133
The Debt Service Non-Major Governmental Fund transferred to the Debt Service Fund for Blended Component Units for Certificates of Participation debt service payments.	611,271
Total	<u>\$ 4,423,603</u>

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2016, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
Vendor payables	\$ 4,433,553	\$ 117,873	\$ 504,754	\$ 5,056,180
Local control funding formula	1,168,586	-	64,356	1,232,942
Salaries and benefits	275,375	-	50,122	325,497
Construction	952,127	2,474,222	45,595	3,471,944
Total	<u>\$ 6,829,641</u>	<u>\$ 2,592,095</u>	<u>\$ 664,827</u>	<u>\$ 10,086,563</u>

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2016, consisted of the following:

	General Fund
Federal financial assistance	\$ 61,423
State categorical aid	222,662
Other local	691
Total	<u>\$ 284,776</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016	Due in One Year
General Obligation Bonds	\$ 90,586,135	\$ 41,952,972	\$ 4,825,000	\$ 127,714,107	\$ 5,087,927
Premium on bond	4,112,211	1,549,810	321,292	5,340,729	-
Certificates of Participation	7,075,000	-	320,000	6,755,000	335,000
Qualified school construction bonds	1,694,511	-	118,145	1,576,366	119,282
QZAB Lease Purchase Agreement	5,000,000	-	-	5,000,000	-
Capital Leases	1,733,521	-	556,978	1,176,543	577,586
Compensated absences	406,961	65,679	-	472,640	-
SERP	1,383,645	-	927,584	456,061	283,346
OPEB Obligation	-	53,670	53,670	-	-
Choice 2000 settlement agreement	822,500	-	117,500	705,000	117,500
	<u>\$ 112,814,484</u>	<u>\$ 43,622,131</u>	<u>\$ 7,240,169</u>	<u>\$ 149,196,446</u>	<u>\$ 6,520,641</u>

Payments on the General Obligation Bonds are made from the Bond Interest and Redemption Fund.

Payments on the Certificates of Participation are made from the Debt Service Fund for Blended Component Units.

Payments for the Qualified School Construction Bonds are made from the Charter School Fund.

Payments on the QZAB Lease Purchase Agreement will be made from the QZAB Fund.

Payments for the Capital Leases are made from the General Fund.

Payments for Accumulated Vacation are typically liquidated in the General Fund and Non-Major Governmental Funds.

Payments for the SERP are made from the General Fund and Charter School Fund.

Payments for the OPEB obligation are made from the General Fund.

Payment for the Choice 2000 settlement agreement will be made from the General Fund.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds		Capital		Bonds
				Outstanding July 1, 2015	Issued	Appreciation	Redeemed	Outstanding June 30, 2016
5/1/00	3/1/25	6.05 - 6.40%	\$ 8,313,075	\$ 7,223,382	\$ -	\$ 464,857	\$ 750,000	\$ 6,938,239
11/1/02	9/1/27	4.60 - 5.51%	7,686,807	8,393,269	-	439,575	565,000	8,267,844
2/25/05	3/1/30	3.00 - 5.27%	38,764,558	10,041,567	-	469,217	1,040,000	9,470,784
3/28/06	9/1/22	3.50 - 4.43%	7,232,820	5,012,917	-	49,684	475,000	4,587,601
7/23/13	9/1/27	2.00 - 4.25%	35,000,000	33,405,000	-	-	1,470,000	31,935,000
11/6/14	9/1/24	2.00 - 4.00%	26,510,000	26,510,000	-	-	525,000	25,985,000
10/20/15	9/1/45	3.00 - 5.00%	40,413,023	-	40,413,023	116,616	-	40,529,639
				<u>\$ 90,586,135</u>	<u>\$ 40,413,023</u>	<u>\$ 1,539,949</u>	<u>\$ 4,825,000</u>	<u>\$ 127,714,107</u>

Election 1999, Series A General Obligation Bonds

In May 2000, the District issued \$8,313,075 in Election 1999, Series A General Obligation Bonds. Proceeds from the bonds will be used for the purpose of construction and renovation of various school facilities in the District. In March 2005, the 2005 General Obligation Refunding Bonds refunded the current interest portion of the bonds. At June 30, 2016, the principal balance outstanding was \$6,938,239.

Election 1999, Series B General Obligation Bonds

In November 2002, the District issued \$7,686,807 in Election 1999, Series B General Obligation Bonds. Proceeds from the bonds will be used for the purpose of construction and renovation of various school facilities in the District. In March 2005, the 2005 General Obligation Refunding Bonds refunded the current interest portion of the bonds. At June 30, 2016, the principal balance outstanding was \$8,267,844.

Election 2004, Series A General Obligation Bonds

In February 2005, the District issued \$38,764,558 in Election 2004, Series A General Obligation Bonds. Proceeds from the bonds will be used to finance the acquisition, construction, and modernization of property and school facilities. At June 30, 2016, the principal balance outstanding was \$9,470,784.

Election 2004, Series B General Obligation Bonds

In March 2006, the District issued \$7,232,820 in Election 2004, Series B General Obligation Bonds. Proceeds from the bonds will be used to finance the acquisition, construction, and modernization of property and school facilities. At June 30, 2016, the principal balance outstanding was \$4,587,601.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Election 2012, Series A General Obligation Bonds

In July 2013, the District issued \$35,000,000 in Election 2012, Series A General Obligation Bonds. Proceeds from the bonds will be used to finance the repair, upgrading, modernization, renovation, construction, and equipping of certain District property and facilities. At June 30, 2016, the principal balance outstanding was \$31,935,000.

Election 2004, Series A General Obligation Refunding Bonds

In November 2014, the District issued \$26,510,000 in Election 2004 General Obligation Refunding Bonds. Proceeds from the bonds will be used to refund certain maturities of the District's outstanding General Obligation Bonds, Election 2004, Series A General Obligation Bond and to finance the acquisition, construction, and modernization of property and school facilities. At June 30, 2016, the principal balance outstanding was \$25,985,000.

Election 2012, General Obligation Bond, Series B

In October 2015, the District issued \$40,413,023 in Election 2012 General Obligation Refunding Bonds. Proceeds from the bonds will be used to refund certain maturities of the District's outstanding General Obligation Bonds, Election 2004, Series A General Obligation Bond and to finance the acquisition, construction, and modernization of property and school facilities. At June 30, 2016, the principal balance outstanding was \$40,529,639.

Debt Service Requirements to Maturity

The bonds mature through 2043, as follows:

Fiscal Year	Principal Including Accreted Interest to Date	Accreted Interest	Current Interest	Total
2017	\$ 5,087,927	\$ 32,073	\$ 4,110,266	\$ 9,230,266
2018	4,129,049	115,951	4,019,716	8,264,716
2019	4,425,380	204,620	4,191,002	8,821,002
2020	4,932,454	297,546	4,039,236	9,269,236
2021	5,479,818	395,182	3,873,069	9,748,069
2022-2026	25,473,577	4,041,423	11,379,461	40,894,461
2027-2031	22,561,262	10,678,738	13,190,017	46,430,017
2032-2036	10,187,947	-	11,384,919	21,572,866
2037-2041	18,286,693	498,380	8,542,350	27,327,423
2042-2043	27,150,000	410,685	5,543,512	33,104,197
Total	\$ 127,714,107	\$ 16,674,598	\$ 70,273,548	\$ 214,662,253

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Certificates of Participation

In December 2007, the District issued \$23,500,000 in Certificates of Participation for the purpose of defeasing and prepaying a portion of the 2000 Certificates of Participation. The interest rate is set at six percent per annum. The outstanding principal balance at June 30, 2016, is \$6,755,000

The certificates mature through 2031, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2017	\$ 335,000	\$ 278,794	\$ 613,794
2018	345,000	265,194	610,194
2019	360,000	251,094	611,094
2020	380,000	236,294	616,294
2021	390,000	220,894	610,894
2022-2026	2,215,000	847,072	3,062,072
2027-2031	2,730,000	317,300	3,047,300
Total	<u>\$ 6,755,000</u>	<u>\$ 2,416,642</u>	<u>\$ 9,171,642</u>

Qualified School Construction Bonds

In October 2011, the District issued \$2,100,000 in Qualified School Construction Bonds. Proceeds from the bonds will be used to finance the acquisition, construction, and modernization of property and school facilities. The outstanding principal balance at June 30, 2016, is \$1,576,366.

The bonds mature through 2029, as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest to Maturity</u>	<u>Total</u>
2017	\$ 119,282	\$ 86,147	\$ 205,429
2018	120,430	79,487	199,917
2019	121,588	72,763	194,351
2020	122,758	65,974	188,732
2021	123,940	59,120	183,060
2022-2026	637,820	190,457	828,277
2027-2029	330,548	27,704	358,252
Total	<u>\$ 1,576,366</u>	<u>\$ 581,652</u>	<u>\$ 2,158,018</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Qualified Zone Academy Bonds (QZAB) Lease Purchase Agreement

On December 9, 2003, the District, pursuant to a lease purchase agreement with the Public Property Financing Corporation of California, issued \$5,000,000 Qualified Zone Academy Bonds (QZAB) to provide funds to finance certain improvements, equipment, and related costs for the District's Literacy and Information Technology Academy and to pay certain costs of issuance. The Bonds mature on December 9, 2018, with the entire principal amount of \$5,000,000 due at this date. The Bonds do not bear interest. In lieu of receiving periodic interest or sinking fund payments, qualified buyers will receive an annual Federal tax credit as set by the U.S. Treasury Department. Payment of principal on the Bonds is secured by an initial deposit of \$2,618,141 made by the District on the date of issuance. The initial deposit, together with accrued interest earnings shall be sufficient to make the lease payment in full at maturity. As of June 30, 2016, US Bank held \$4,647,071 for the lease payment.

Capital Leases

The District has entered into agreements to lease various facilities and equipment. Such agreements are, in substance, purchases (capital leases) and are reported as capital lease obligations. The District's liability on lease agreements with options to purchase is summarized below:

	School Buses
Balance, July 1, 2015	\$ 1,863,354
Payments	621,118
Balance, June 30, 2016	<u>\$ 1,242,236</u>

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2017	\$ 621,118
2018	621,118
Total	<u>1,242,236</u>
Less: Amount Representing Interest	65,693
Present Value of Minimum Lease Payments	<u>\$ 1,176,543</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2016, amounted to \$472,640.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Supplemental Employee Retirement Plan (SERP)

The District offered an early retirement incentive to qualified employees under a qualified plan of Section 401A of the Internal Revenue Code. Currently, there are 61 employees participating in this plan and the District's obligation to those retirees as of June 30, 2016, is \$456,061.

Year Ending June 30,	Payment
2017	\$ 283,346
2018	172,715
Total	<u>\$ 456,061</u>

Other Postemployment Benefits (OPEB) Obligation

As of June 30, 2016, the District did not have any OPEB obligation. See Note 12 for additional information regarding the OPEB obligation and the post-employment benefits plan.

Choice 2000 Settlement Agreement

On April 28, 2014, the District entered into a settlement agreement with the Department of Finance, the California State Board of Education, the Superintendent of Public Instruction, and the Controller for the State of California with regard to audit finding 2006-10 for fiscal year 2005-2006 concerning the District's Choice 2000 Online Charter High School. The Parties agreed that the total amount to be disallowed as a result of audit finding 2006-2010 for the 2005-2006 fiscal year shall be \$122,200, which sum represents approximately ten percent of the total overpayment. The penalty amount will be withheld from the District's apportionment over a period of eight years, commencing in fiscal year 2014-2015, without interest, until fully repaid. As of June 30, 2016, the remaining total future payment due was approximately \$91,650. The repayment schedule is summarized as follows:

Fiscal Year	Settlement Payment
2017	\$ 15,275
2018	15,275
2019	15,275
2020	15,275
2021-2022	30,550
Total	<u>\$ 91,650</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

On April 28, 2014, the District entered into a separate settlement agreement with the Department of Finance, the California State Board of Education, The Superintendent of Public Instruction and the Controller for the State of California with regard to similar audit findings related to the District's Choice 2000 Online Charter High School for fiscal years 2006-07 through 2012-13. The agreement fully and completely resolves all claims, demands, appeals, obligations, and causes of actions arising from the audit findings for the seven fiscal years audited. The District has agreed to repay, from its future apportionments, ten percent of the amount of the total overpayment for each audited fiscal year and for the aggregate of the seven years, for a total of \$817,799. These payments will be made in eight annual installments, commencing in fiscal year 2014-2015. No interest shall be charged or accrued on the repayment amounts. As of June 30, 2016, the remaining future payment due was approximately \$613,350, the repayment schedule is summarized as follows:

<u>Fiscal Year</u>	<u>Settlement Payment</u>
2017	\$ 102,225
2018	102,225
2019	102,225
2020	102,225
2021-2022	204,450
Total	<u>\$ 613,350</u>

NOTE 10 - NON-OBLIGATORY DEBT

Non-obligatory debt relates to debt issuances by the Community Facility Districts, as authorized by the Mello-Roos Community Facilities Act of 1982 as amended, and the Mark-Roos Local Bond Pooling Act of 1985, and are payable from special taxes levied on property within the Community Facilities Districts according to a methodology approved by the voters within the District. Neither the faith and credit nor taxing power of the District is pledged to the payment of the bonds. Reserves have been established from the bond proceeds to meet delinquencies should they occur. If delinquencies occur beyond the amounts held in those reserves, the District has no duty to pay the delinquency out of any available funds of the District. The District acts solely as an agent for those paying taxes levied and the bondholders, and may initiate foreclosure proceedings. Special assessment debt of \$46,150,000 as of June 30, 2016, does not represent debt of the District and, as such, does not appear in the accompanying basic financial statements.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 11 - FUND BALANCES

Fund balances are composed of the following elements:

	General Fund	Building Fund	County School Facilities Fund	Bond Interest and Redemption Fund
Nonspendable				
Revolving cash	\$ 25,000	\$ -	\$ -	\$ -
Stores inventories	-	-	-	-
Prepaid expenditures	186,194	-	-	-
Total Nonspendable	<u>211,194</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restricted				
Legally restricted programs	3,988,635	-	-	-
Capital projects	-	30,785,199	9,881,476	-
Debt services	-	-	-	10,912,277
Total Restricted	<u>3,988,635</u>	<u>30,785,199</u>	<u>9,881,476</u>	<u>10,912,277</u>
Assigned				
Other assignments	<u>287,073</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned				
Economic uncertainties	<u>7,527,009</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 12,013,911</u>	<u>\$ 30,785,199</u>	<u>\$ 9,881,476</u>	<u>\$ 10,912,277</u>

Non-Major Governmental Funds	Total
\$ -	\$ 25,000
60,862	60,862
3,345	189,539
<u>64,207</u>	<u>275,401</u>
2,993,358	6,981,993
19,755,567	60,422,242
-	10,912,277
<u>22,748,925</u>	<u>78,316,512</u>
<u>2,520,317</u>	<u>2,807,390</u>
-	7,527,009
<u>\$ 25,333,449</u>	<u>\$ 88,926,312</u>

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefits Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Perris Union High School District. The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Membership of the Plan consists of five retirees currently receiving benefits.

Contribution Information

For fiscal year 2015-2016, the District contributed \$53,670 to the Plan, all of which was used for current premiums.).

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 53,670
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>53,670</u>
Contributions made	<u>53,670</u>
Change in net OPEB obligation	-
Net OPEB obligation, beginning of year	-
Net OPEB obligation, end of year	<u><u>\$ -</u></u>

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Cost	Actual Employer Contribution	Percentage Contributed	Net OPEB Obligation
2014	\$ 53,670	\$ 53,670	100%	\$ -
2015	53,670	53,670	100%	-
2016	53,670	53,670	100%	-

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Funded Status and Funding Progress

A schedule of funding progress as of the most recent actuarial valuation is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
June 1, 2009	\$ -	\$ 422,309	\$ 422,309	0%	\$ -	0%

Actuarial valuations of an ongoing Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft, damage, and destruction of assets; errors and omissions, injuries to employees, life, and health of employees and natural disasters. The District purchases coverage for property damage with limits up to a maximum of \$250,000,000, subject to various policy sublimits generally ranging from \$500 to \$100,000,000 and deductibles ranging from \$500 to \$5,000. The District also purchases coverage for general liability claims with limits up to \$1,000,000 per occurrence with excess liability coverage up to \$25,000,000 per occurrence and \$60,000,000 in the aggregate, all subject to various deductibles up to \$5,000 per occurrence. The District participates in a finite risk sharing pool for workers' compensation coverage up to \$150,000,000 per occurrence with no self-insured retention. Employee health benefits are covered by a commercial insurance policy purchased by the District. The District provides health insurance benefits to District employees electing to participate in the plan by paying a monthly premium based on the number of District employees participating in the Plan.

Property and Liability

The District is exposed to various risks of loss related to torts, theft, damage, and destruction of assets; errors and omissions, injuries to employees, life, and health of employees and natural disasters. During fiscal year ending June 30, 2016, the District pooled for property and liability coverage as a member of Riverside Schools' Insurance Authority, a Joint Powers Authority. Settlement claims have not exceeded the limits of this coverage in any of the past three years.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Workers' Compensation

For fiscal year 2016, the District participated in the Riverside Schools' Risk Management Authority (RSRMA), a workers' compensation coverage purchasing pool. The intent of RSRMA is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants. RSRMA, in turn, pools for workers' compensation coverage through their membership in the Protected Insurance Program for Schools and Community Colleges (PIPS), a finite risk sharing pool. Pooling in this manner allows the member districts and joint powers authorities to take advantage of increased purchasing power and greater spread of risk. As a member of PIPS, RSRMA is assigned a rate based on the JPA's overall payroll and loss experience compared to the other members within PIPS. Each participant in RSRMA pays its workers' compensation premium based on its individual rate which is weighted based on their payroll and loss experience within RSRMA. This arrangement insures that each participant shares equally in the overall performance of RSRMA. Participation in RSRMA is limited to districts that can meet the selection criteria.

Employee Medical Benefits

The District is a member of the Riverside Employer/Employee Partnership (REEP) to provide employee health benefits. REEP is a shared risk pool comprised of various school districts. Rates are set through an annual calculation process. The District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating districts. Claims are paid for all participants regardless of claims flow. The Board of Directors has a right to return monies to a district subsequent to the settlement of all expenses and claims if a district withdraws from the pool.

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. Academic employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

For the fiscal year ended June 30, 2016, the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

<u>Pension Plan</u>	<u>Collective Net Pension Liability</u>	<u>Collective Deferred Outflows of Resources</u>	<u>Collective Deferred Inflows of Resources</u>	<u>Collective Pension Expense</u>
CalSTRS	\$ 59,003,719	\$ 10,437,709	\$ 10,444,668	\$ 4,244,251
CalPERS	19,933,763	8,036,451	5,181,225	2,288,201
Total	<u>\$ 78,937,482</u>	<u>\$ 18,474,160</u>	<u>\$ 15,625,893</u>	<u>\$ 6,532,452</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/member-publications>.

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age, and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program, and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

	STRP Defined Benefit Program	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required State contribution rate	7.12589%	7.12589%

Contributions

Required member District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the District's total contributions were \$5,124,739.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the District were as follows:

Total Net Pension Liability, Including State Share:

District's proportionate share of net pension liability	\$ 59,003,719
State's proportionate share of the net pension liability associated with the District	31,206,463
Total	<u>\$ 90,210,182</u>

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively, was 0.0876 percent and 0.0866 percent, resulting in a net increase in the proportionate share of (0.0010) percent.

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

For the year ended June 30, 2016, the District recognized pension expense of \$4,244,251. In addition, the District recognized pension expense and revenue of \$2,847,449 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 5,124,739	\$ -
Net change in proportionate share of net pension liability	664,030	-
Difference between projected and actual earnings on pension plan investments	4,684,940	9,458,702
Difference between expected and actual experiences in the measurement of the total pension liability	-	985,966
Total	<u>\$ 10,473,709</u>	<u>\$ 10,444,668</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) Amortization
2017	\$ (1,990,666)
2018	(1,990,666)
2019	(1,196,666)
2020	1,162,236
Total	<u>\$ (4,015,762)</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2017	\$ (53,656)
2018	(56,656)
2019	(56,656)
2020	(56,656)
2021	(56,656)
Thereafter	(56,656)
Total	<u>\$ (336,936)</u>

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

PERRIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary' investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are log normally distributed and independently from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	\$ 89,091,023
Current discount rate (7.60%)	59,003,719
1% increase (8.60%)	33,998,741

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) [and the Safety Risk Pool] under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plans regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014 annual actuarial valuation report, Schools Pool Actuarial Valuation, and the Risk Pool Actuarial Valuation Report, Safety 2014. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provide service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor, and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2016, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 Years of Service	5 Years of Service
Benefit payments	Monthly for Life	Monthly for Life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers are determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the total District contributions were \$2,065,548.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$19,933,763. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively, was 0.1352 percent and 0.1215 percent, resulting in a net increase in the proportionate share of 0.0137 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$2,288,201. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,065,548	\$ -
Net change in proportionate share of net pension liability	1,557,749	
Difference between projected and actual earnings on pension plan investments	3,273,909	3,956,439
Difference between expected and actual experiences in the measurement of the total pension liability	1,139,245	-
Changes of assumptions	-	1,224,786
Total	<u>\$ 8,036,451</u>	<u>\$ 5,181,225</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2017	\$ (500,342)
2018	(500,342)
2019	(500,342)
2020	818,477
Total	<u>\$ (682,549)</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (Inflows) of Resources
2017	\$ 507,658
2018	507,658
2019	456,891
Total	<u>\$ 1,472,207</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.65%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.65%)	\$ 32,443,859
Current discount rate (7.65%)	19,933,763
1% increase (8.65%)	9,530,781

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$2,847,449 (7.12589 percent of annual payroll). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures; however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the *General Fund - Budgetary Comparison Schedule*. These amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Litigation

The District is not currently a party to any legal proceedings.

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS

The District is a member of the Riverside Schools Risk Management Authority (RSRMA), Riverside Employer/Employee Partnership (REEP), and the Riverside Schools' Insurance Authority (RSIA) public entity risk pools. The District pays an annual premium to the applicable entity for its health, workers' compensation, and property liability coverage. The relationships between the District and the pools are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

During the year ended June 30, 2016, the District made payments of \$1,696,927, \$7,885,966, and \$634,669 to RSRMA, REEP, and RSIA, respectively, for its workers' compensation, health, and property liability coverage.

REQUIRED SUPPLEMENTARY INFORMATION

PERRIS UNION HIGH SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	Original	Final		Positive
				Final to Actual
REVENUES				
Local Control Funding Formula	\$ 74,669,271	\$ 87,819,062	\$ 87,993,269	\$ 174,207
Federal sources	6,613,218	7,773,021	7,471,831	(301,190)
Other State sources	4,226,791	10,941,500	13,616,785	2,675,285
Other local sources	4,723,907	4,342,984	4,094,660	(248,324)
Total Revenues ¹	90,233,187	110,876,567	113,176,545	2,299,978
EXPENDITURES				
Current				
Certificated salaries	51,400,826	45,306,590	44,593,426	713,164
Classified salaries	10,158,372	16,033,704	16,340,113	(306,409)
Employee benefits	8,239,015	18,732,535	21,209,875	(2,477,340)
Books and supplies	1,590,159	7,672,686	7,093,958	578,728
Services and operating expenditures	7,174,362	16,767,946	15,320,975	1,446,971
Capital outlay	13,049,300	3,917,566	4,074,255	(156,689)
Other outgo	1,278,785	604,099	647,120	(43,021)
Debt service				
Principal	621,119	621,119	621,119	-
Total Expenditures ¹	93,511,938	109,656,245	109,900,841	(244,596)
Excess (Deficiency) of Revenues				
Over Expenditures	(3,278,751)	1,220,322	3,275,704	2,055,382
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(62,904)	62,904
NET CHANGE IN FUND BALANCE	(3,278,751)	1,220,322	3,212,800	(1,992,478)
Fund Balance - Beginning	8,801,111	8,801,111	8,801,111	-
Fund Balance - Ending	\$ 5,522,360	\$ 10,021,433	\$ 12,013,911	\$ (1,992,478)

¹ On behalf payments of \$2,847,449 are included in the actual revenues and expenditures, but have not been included in the budgeted amounts.

See accompanying note to required supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB)
 FUNDING PROGRESS
 FOR THE YEAR ENDED JUNE 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Unprojected Unit Credit (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([(b - a] / c)
June 1, 2009	\$ -	\$ 422,309	\$ 422,309	0%	\$ -	0%

See accompanying note to required supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2016

	<u>2016</u>	<u>2015</u>
CalSTRS		
District's proportion of the net pension liability	<u>0.0876%</u>	<u>0.0866%</u>
District's proportionate share of the net pension liability	\$ 59,003,719	\$ 50,593,383
State's proportionate share of the net pension liability associated with the District	<u>31,206,463</u>	<u>30,550,469</u>
Total	<u>\$ 90,210,182</u>	<u>\$ 81,143,852</u>
District's covered - employee payroll	<u>\$ 41,835,563</u>	<u>\$ 38,561,927</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>141.04%</u>	<u>131.20%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>77%</u>
CalPERS		
District's proportion of the net pension liability	<u>0.1352%</u>	<u>0.1215%</u>
District's proportionate share of the net pension liability	<u>\$ 19,933,763</u>	<u>\$ 13,793,298</u>
District's covered - employee payroll	<u>\$ 16,126,703</u>	<u>\$ 12,754,553</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>123.61%</u>	<u>85.53</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>79%</u>	<u>83%</u>

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF DISTRICT CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>2016</u>	<u>2015</u>
CalSTRS		
Contractually required contribution	\$ 5,124,739	\$ 3,714,998
Contributions in relation to the contractually required contribution	<u>(5,124,739)</u>	<u>(3,714,998)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 47,760,848</u>	<u>\$ 40,227,115</u>
Contributions as a percentage of covered - employee payroll	<u>10.73%</u>	<u>8.88%</u>
 CalPERS		
Contractually required contribution	\$ 2,065,548	\$ 1,898,113
Contributions in relation to the contractually required contribution	<u>(2,065,548)</u>	<u>(1,898,113)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 17,430,785</u>	<u>\$ 14,044,293</u>
Contributions as a percentage of covered - employee payroll	<u>11.85%</u>	<u>11.77%</u>

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

NOTE 2 - CHANGES IN BENEFIT TERMS AND ASSUMPTIONS

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS or CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

SUPPLEMENTARY INFORMATION

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Carl D. Perkins Vocational and Technical Education Act of 1998 Secondary Education	84.048	14894	\$ 307,042
Passed through Riverside County Special Education Local Plan Area:			
Individuals With Disabilities Act (IDEA):			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,373,473
Mental Health Allocation Plan, Part B, Section 611	84.027	14468	<u>268,821</u>
Total Special Education (IDEA) Cluster			<u>1,642,294</u>
No Child Left Behind Act (NCLB):			
Title I, Part A - Basic Grants Low Income and Neglected Reallocation Funds	84.010	14329	4,216,495
Title I, Part G: Advanced Placement (AP) Test Fee Reimbursement Program	84.330	14831	64,042
Title II, Part A - Improving Teacher Quality Local Grants	84.367	14341	256,135
Title III - Limited English Proficient (LEP) Student Program	84.365	14346	89,115
Title IV, Part B, 21st Century Community Learning Centers Program	84.287	14349	<u>602,439</u>
Total U.S. Department of Education			<u>7,177,562</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education (CDE):			
Child Nutrition Cluster:			
Especially Needy Breakfast	10.553	13526	833,258
National School Lunch Program	10.555	13524	2,863,010
Meal Supplement	10.555	13396	53,659
Food Distribution	10.555	13524	<u>135,879</u>
Total Child Nutrition Cluster			<u>3,885,806</u>
Child and Adult Care Food Program	10.558	13393	<u>37,180</u>
Total U.S. Department of Agriculture			<u>3,922,986</u>

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. DEPARTMENT OF DEFENSE			
Junior Reserve Officer Training Corps - Air Force	12.000	[1]	\$ 117,397
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Services:			
Medicaid Program:			
Medi-Cal Billing Option	93.778	10013	14,411
Medi-Cal Administrative Activities Program	93.778	10060	162,461
Total U.S. Department of Health and Human Services			176,872
Total Federal Programs			\$ 11,394,817

[1] Direct funded program.

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2016

ORGANIZATION

The Perris Union High School District was incorporated on August 23, 1897, and consists of an area comprising approximately 179 square miles. The District operates one middle school, three high schools, a continuation school, a community day school, one charter school, and an adult education school. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
David Nelissen	President	2016
Edward Agundez	Vice President	2016
Joan Cooley	Clerk	2016
Dr. Jose Luis Araux	Member	2017
Carolyn A. Twyman	Member	2017

ADMINISTRATION

Dr. Jonathan Greenberg	Superintendent
Candace Reines	Assistant Superintendent, Business Services
Grant Bennett	Assistant Superintendent, Educational Services
Tonya Davis	Assistant Superintendent, Human Resources
Joseph Williams	Executive Director, Technology
Chris Rabing	Director of Fiscal Services

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2016**

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Seventh and eighth	1,106.53	1,101.37
Ninth through twelfth	7,875.57	7,801.10
Total Regular ADA	<u>8,982.10</u>	<u>8,902.47</u>
Extended Year Special Education		
Ninth through twelfth	<u>25.61</u>	<u>25.61</u>
Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	2.60	2.90
Ninth through twelfth	21.56	23.19
Total Special Education, Nonpublic, Nonsectarian Schools	<u>24.16</u>	<u>26.09</u>
Extended Special Education, Nonpublic, Nonsectarian Schools		
Seventh and eighth	0.35	0.29
Ninth through twelfth	1.40	1.40
Total Special Education, Nonpublic, Nonsectarian Schools	<u>1.75</u>	<u>1.69</u>
Community Day School		
Seventh and eighth	2.40	4.13
Ninth through twelfth	25.75	26.32
Total Community Day School	<u>28.15</u>	<u>30.45</u>
Total ADA	<u><u>9,061.77</u></u>	<u><u>8,986.31</u></u>
CHARTER SCHOOL		
Regular ADA		
Fourth through sixth	172.70	172.31
Seventh and eighth	356.81	356.01
Ninth through twelfth	474.01	471.05
Total Regular ADA	<u>1,003.52</u>	<u>999.37</u>
Classroom based ADA		
Fourth through sixth	172.70	172.31
Seventh and eighth	356.70	356.01
Ninth through twelfth	473.60	471.05
Total Classroom Based ADA	<u>1,003.00</u>	<u>999.37</u>

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2016**

District

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>2015-16 Actual Minutes</u>	<u>Number of Days</u>		<u>Status</u>
			<u>Traditional Calendar</u>	<u>Multitrack Calendar</u>	
Grades 7 - 8	54,000				
Grade 7		66,260	180	N/A	Complied
Grade 8		66,260	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		66,460	180	N/A	Complied
Grade 10		66,460	180	N/A	Complied
Grade 11		66,460	180	N/A	Complied
Grade 12		66,460	180	N/A	Complied

California Military Institute

<u>Grade Level</u>	<u>1986-87 Minutes Requirement</u>	<u>2015-16 Actual Minutes</u>	<u>Number of Days</u>		<u>Status</u>
			<u>Traditional Calendar</u>	<u>Multitrack Calendar</u>	
Grades 7 - 8	54,000				
Grade 7		65,073	180	N/A	Complied
Grade 8		65,073	180	N/A	Complied
Grades 9 - 12	64,800				
Grade 9		65,073	180	N/A	Complied
Grade 10		65,073	180	N/A	Complied
Grade 11		65,073	180	N/A	Complied
Grade 12		65,073	180	N/A	Complied

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>General Fund</u>
FUND BALANCE	
Balance, June 30, 2016, Unaudited Financial Statement	\$ 12,228,938
Decrease in:	
Accounts Receivables	<u>(215,027)</u>
Balance, June 30, 2016, Audited Financial Statement	<u><u>\$ 12,013,911</u></u>

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

	(Budget) 2017 ¹	2016	2015	2014
GENERAL FUND				
Revenues	\$ 111,883,515	\$ 113,176,545	\$ 92,831,307	\$ 84,511,616
Total Revenues and Other Sources	111,883,515	113,176,545	92,831,307	84,511,616
Expenditures	112,077,449	109,900,841	93,807,162	86,058,639
Other uses and transfers out	-	62,904	-	13,619
Total Expenditures and Other Sources	112,077,449	109,963,745	93,807,162	86,072,258
INCREASE (DECREASE) IN FUND BALANCE	\$ (193,934)	\$ 3,212,800	\$ (975,855)	\$ (1,560,642)
ENDING FUND BALANCE	\$ 11,819,977	\$ 12,013,911	\$ 8,801,111	\$ 9,776,966
AVAILABLE RESERVES ²	\$ 3,365,243	\$ 7,527,009	\$ 5,778,607	\$ 2,526,594
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	3.00%	6.84%	6.30%	3.00%
LONG-TERM OBLIGATIONS	N/A	\$149,196,446	\$112,814,484	\$ 115,802,639
K-12 AVERAGE DAILY ATTENDANCE AT P-2 ⁴	9,295	9,062	8,878	8,745

The General Fund balance has increased by \$2,236,945 over the past two years. The fiscal year 2016-2017 budget projects a decrease of \$193,934 (1.61 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years and anticipates incurring an operating deficit during the 2016-2017 fiscal year. Total long-term obligations have increased by \$33,393,807 over the past two years.

Average daily attendance has increased by 317 over the past two years. Additional growth of 233 ADA is anticipated during fiscal year 2016-2017.

¹ Budget 2017 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all funds designated for economic uncertainty contained within the General Fund.

³ On behalf payments of \$2,023,197, and \$1,852,452, have been excluded from the calculation of available reserves for the fiscal years ending June 30, 2015, and 2014, respectively.

⁴ Excludes Charter School ADA.

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF CHARTER SCHOOLS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Name of Charter School</u>	<u>Included in Audit Report</u>
California Military Institute	Yes

See accompanying note to supplementary information.

PERRIS UNION HIGH SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016**

	Charter Schools Fund	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund
ASSETS				
Deposits and investments	\$ 3,677,356	\$ 67,297	\$ 2,234,103	\$ 3,654,509
Receivables	110,723	35,344	614,403	89,145
Due from other funds	374,838	63,349	-	2,758,614
Prepaid expenses	3,345	-	-	-
Stores inventories	-	-	60,862	-
Total Assets	\$ 4,166,262	\$ 165,990	\$ 2,909,368	\$ 6,502,268
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 494,450	\$ 41,867	\$ 46,746	\$ 81,764
Due to other funds	963,423	118,718	8	-
Total Liabilities	1,457,873	160,585	46,754	81,764
Fund Balances:				
Nonspendable	3,345	-	60,862	-
Restricted	186,201	5,405	2,801,752	6,420,504
Assigned	2,518,843	-	-	-
Total Fund Balances	2,708,389	5,405	2,862,614	6,420,504
Total Liabilities and Fund Balances	\$ 4,166,262	\$ 165,990	\$ 2,909,368	\$ 6,502,268

See accompanying note to supplementary information.

Capital Project Fund for Blended Component Units	QZAB Fund	Debt Service Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
\$ 8,061,982	\$ 4,647,471	\$ 1,472	\$ 625,610	\$ 22,969,800
-	-	2	-	849,617
-	-	-	-	3,196,801
-	-	-	-	3,345
-	-	-	-	60,862
<u>\$ 8,061,982</u>	<u>\$ 4,647,471</u>	<u>\$ 1,474</u>	<u>\$ 625,610</u>	<u>\$ 27,080,425</u>
\$ -	\$ -	\$ -	\$ -	\$ 664,827
-	-	-	-	1,082,149
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,746,976</u>
-	-	-	-	64,207
8,061,982	4,647,471	-	625,610	22,748,925
-	-	1,474	-	2,520,317
<u>8,061,982</u>	<u>4,647,471</u>	<u>1,474</u>	<u>625,610</u>	<u>25,333,449</u>
<u>\$ 8,061,982</u>	<u>\$ 4,647,471</u>	<u>\$ 1,474</u>	<u>\$ 625,610</u>	<u>\$ 27,080,425</u>

PERRIS UNION HIGH SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	Charter Schools Fund	Adult Education Fund	Cafeteria Fund	Capital Facilities Fund
REVENUES				
Local Control Funding Formula	\$ 9,102,398	\$ -	\$ -	\$ -
Federal sources	-	-	3,922,986	-
Other State sources	898,165	121,172	304,612	-
Other local sources	29,948	100,596	442,931	3,941,115
Total Revenues	10,030,511	221,768	4,670,529	3,941,115
EXPENDITURES				
Current				
Instruction	5,484,656	113,118	-	-
Instruction-related activities:				
Supervision of instruction	41,922	5,609	-	-
Instructional library, media, and technology	52,187	-	-	-
School site administration	1,861,178	142,749	-	-
Pupil services:				
Home-to-school transportation	46,320	-	-	-
Food services	-	-	4,453,820	-
All other pupil services	285,857	-	-	-
Administration:				
Data processing	70,638	-	-	-
All other general administration	552,891	16,225	172,373	486,946
Plant services	657,672	7,434	59,076	-
Facility acquisition and construction	240,324	-	50,465	2,127,919
Ancillary services	192,213	-	-	-
Other outgo	-	-	-	-
Debt service				
Principal	118,145	-	-	-
Interest and other	92,743	-	-	-
Total Expenditures	9,696,746	285,135	4,735,734	2,614,865
Excess (Deficiency) of Revenues				
Over Expenditures	333,765	(63,367)	(65,205)	1,326,250
OTHER FINANCING SOURCES (USES)				
Transfers in	-	62,904	-	2,512,133
Other sources	71,344	-	-	-
Transfers out	-	-	-	-
Net Financing Sources (Uses)	71,344	62,904	-	2,512,133
NET CHANGE IN FUND BALANCES	405,109	(463)	(65,205)	3,838,383
Fund Balances - Beginning	2,303,280	5,868	2,927,819	2,582,121
Fund Balances - Ending	\$ 2,708,389	\$ 5,405	\$ 2,862,614	\$ 6,420,504

See accompanying note to supplementary information.

Capital Project Fund for Blended Component Units	QZAB Fund	Debt Service Fund	Debt Service Fund for Blended Component Units	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 9,102,398
-	-	-	-	3,922,986
-	-	-	-	1,323,949
4,865,065	189,782	608,888	58	10,178,383
<u>4,865,065</u>	<u>189,782</u>	<u>608,888</u>	<u>58</u>	<u>24,527,716</u>
-	-	-	-	5,597,774
-	-	-	-	47,531
-	-	-	-	52,187
-	-	-	-	2,003,927
-	-	-	-	46,320
-	-	-	-	4,453,820
-	-	-	-	285,857
-	-	-	-	70,638
-	-	-	-	1,228,435
-	-	-	-	724,182
-	-	-	-	2,418,708
-	-	-	-	192,213
3,515,372	-	-	-	3,515,372
-	-	-	320,000	438,145
-	-	-	291,139	383,882
<u>3,515,372</u>	<u>-</u>	<u>-</u>	<u>611,139</u>	<u>21,458,991</u>
<u>1,349,693</u>	<u>189,782</u>	<u>608,888</u>	<u>(611,081)</u>	<u>3,068,725</u>
-	-	-	611,271	3,186,308
-	-	-	-	71,344
-	-	(611,271)	-	(611,271)
-	-	(611,271)	611,271	2,646,381
1,349,693	189,782	(2,383)	190	5,715,106
6,712,289	4,457,689	3,857	625,420	19,618,343
<u>\$ 8,061,982</u>	<u>\$ 4,647,471</u>	<u>\$ 1,474</u>	<u>\$ 625,610</u>	<u>\$ 25,333,449</u>

PERRIS UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period of time.

PERRIS UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2016

Schedule of Charter Schools

This schedule lists all charter schools chartered by the District, and displays information for each charter school on whether or not the charter school is included in the District's audit.

Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances

The Non-Major Governmental Funds Combining Balance Sheet and Combining Statement of Revenues, Expenditures, and Changes in Fund Balances are included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

INDEPENDENT AUDITOR'S REPORTS



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Governing Board
Perris Union High School District
Perris, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Perris Union High School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Perris Union High School District's basic financial statements, and have issued our report thereon dated December 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Perris Union High School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Perris Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Perris Union High School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Perris Union High School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 15, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board
Perris Union High School District
Perris, California

Report on Compliance for Each Major Federal Program

We have audited Perris Union High School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Perris Union High School District's major Federal programs for the year ended June 30, 2016. Perris Union High School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Perris Union High School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Perris Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Perris Union High School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Perris Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Perris Union High School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Perris Union High School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Perris Union High School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 15, 2016



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Perris Union High School District
Perris, California

Report on State Compliance

We have audited Perris Union High School District's (the District) compliance with the types of compliance requirements as identified in the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Perris Union High School District's State government programs as noted below for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Perris Union High School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Perris Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Perris Union High School District's compliance with those requirements.

Unmodified Opinion on Each of the Programs

In our opinion, Perris Union High School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2016.

Other Matters

In connection with the audit referred to above, we selected and tested transactions and records to determine the Perris Union High School District's compliance with the State laws and regulations applicable to the following items:

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	Yes, see below
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No, see below
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	Yes
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
Immunizations	Yes, see below
CHARTER SCHOOLS:	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	Yes
Determination of Funding for Non Classroom-Based Instruction	Yes
Annual Instruction Minutes Classroom-Based	Yes
Charter School Facility Grant Program	No, see below

The District is a High School District and does not offer a Kindergarten Continuance Program; therefore, we did not perform procedures related to the Kindergarten Continuance Program.

The District does not offer an Independent Study Program; therefore, we did not perform procedures related to the Program within the Independent Study Program.

The District does not offer a Work Experience Program; therefore, we did not perform procedures related to the Work Experience Program within the Continuation Education Attendance Program.

The District did not offer an Early Retirement Incentive Program during the current year; therefore, we did not perform procedures related to the Early Retirement Incentive Program.

The District does not have any Juvenile Court Schools; therefore, we did not perform any procedures related to Juvenile Court Schools.

The District does not have any Middle or Early College High Schools; therefore, we did not perform any procedures related to Middle or Early College High Schools.

The District is a High School District and does not offer a K-3 Grade Span Adjustment; therefore, we did not perform procedures related to the K-3 Grade Span Adjustment.

The District does not offer a Before School Education and Safety Program; therefore, we did not perform any procedures related to the Before School Education and Safety Program.

The District did not offer an Independent Study - Course Based Program; therefore, we did not perform procedures related to the Independent Study - Course Based Program.

The District did not have any schools listed on the immunization assessment reports; therefore, we did not perform any related procedures.

The District Charter School did not receive any funding for to the Charter School Facility Grant Program; therefore, we did not perform any procedures related to the Charter School Facility Grant Program.

Vavrinek, Trine, Day & Co. LLP

Rancho Cucamonga, California
December 15, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

PERRIS UNION HIGH SCHOOL DISTRICT

**SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>10.553, 10.555</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	<u>Unmodified</u>
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PERRIS UNION HIGH SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

PERRIS UNION HIGH SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

PERRIS UNION HIGH SCHOOL DISTRICT

**STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

PERRIS UNION HIGH SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

There were no audit findings reported in the prior year's schedule of financial statement findings.